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This paper uses a survey on wage formation that was applied to 1,305 Colombian firms to study wage-setting decisions with respect to newly hired employees. The Colombian case is interesting, since the countrys labour market performance, especially its unemployment rate and level of informality, differs not only from the developed countries, where studies of this type are concentrated, but also from most Latin American countries. The replies to the survey indicate wages for the newly hired are based mainly on a predefined wage structure. This may help to explain, in part, the presence of downward nominal wage rigidities in Colombia, since firms are unwilling to differentiate the pay of new hires from the wages of existing workers. Using logit models, we find that the probability of wages being bargained between the employee and the employer is less in the case of larger firms. On the contrary, the larger firms are more likely to determine wages according to a predefined wage structure. In general, the presence of flexible benefits and variable pay reduces the probability of wages being determined pursuant to a predefined wage structure. The results also indicate the workers educational level, experience and job duties are the main determinants of the wages of newly hired employees. Keywords: Wage setting, newly hired employees, wage rigidities survey evidence, logit, Colombia.

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